DEFENSE LOGISTICS AGENCY

AMERICA'S COMBAT SUPPORT LOGISTICS AGENCY

Value Proposition To Supporting Weapon System Logistic Life Cycles and Performance Based Logistics Initiatives

DLA Headquarters
FT. Belvoir, Virginia

DLA's Mission

We are America's Combat Logistics Support Agency. We provide effective and efficient worldwide support to warfighters and our other customers.

Leverage Buying Power
Across All Military Services

What is DLA?

DoD's largest combat support agency

Supplier of the nation's military services and several civilian agencies with the critical resources they need to accomplish their worldwide missions

Provider of wide-ranging logistical support for peacetime and wartime operations, as well as emergency preparedness and humanitarian missions

DLA provides 100% of the Military Services' subsistence, fuels, medical, clothing & textile, construction & barrier materiel

DLA provides approximately 84% of the Military Services' repair parts

DLA Support in the way of Executive Guidance

The 2009 NDAA :

(1)Requires the Secretary of Defense to issue comprehensive guidance on life-cycle management and the development and implementation of product support strategies for major weapon systems
(2)Requires that each major weapon system be supported by a product support manager
(3)Amends section 802 of the John Warner National Defense Authorization Act for Fiscal Year 2007 (Public Law 109-364) to require that each such position be performed by a properly qualified member of the armed forces or full-time employee of the Department of Defense (DOD).

DLA brings world-class support in providing:

- Unique and common consumables and reparables
- World-class contracting support
- Cataloging, disposal, distribution, and management services

DLA's Experience in Supporting PBLs

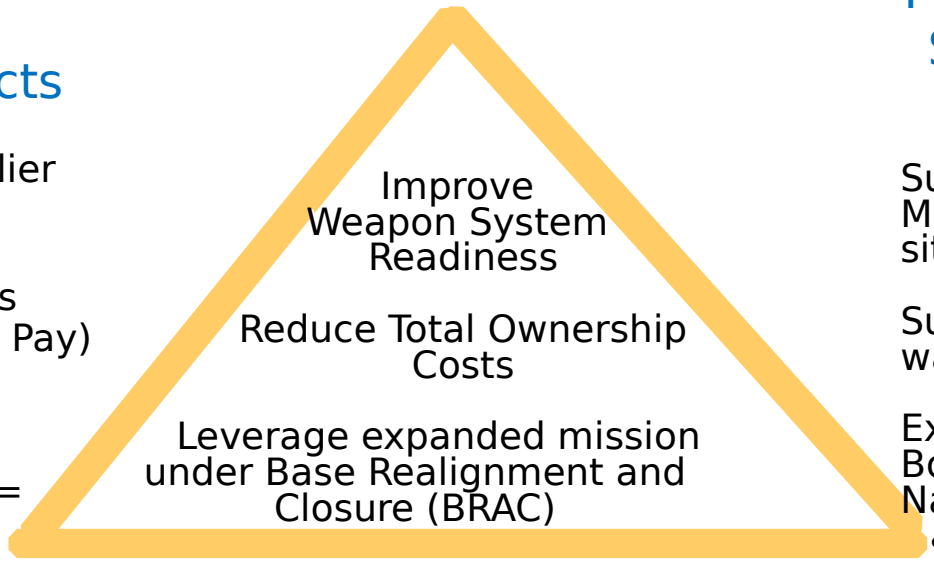
Joint Service / DLA PBLs

Award PBL Contracts

Extend Strategic Supplier Alliances with OEMs

Ex. Integrated Logistics Partnership (Customer Pay)

- 76% reduction inventories ($87.2M)
- Material availability = 99%


Improve Weapon System Readiness
Reduce Total Ownership Costs
Leverage expanded mission under Base Realignment and Closure (BRAC)

Provide Parts and Services to PBL Suppliers

Supports Maintenance/Industrial sites

Supports Operational warfighter

Ex. DLA providing parts to Boeing in support of the Navy's AV-8B PBL

- DLA/Boeing agreement signed 10/17/07
- FY09 sales approx. $4.8m

Organic PBL Support

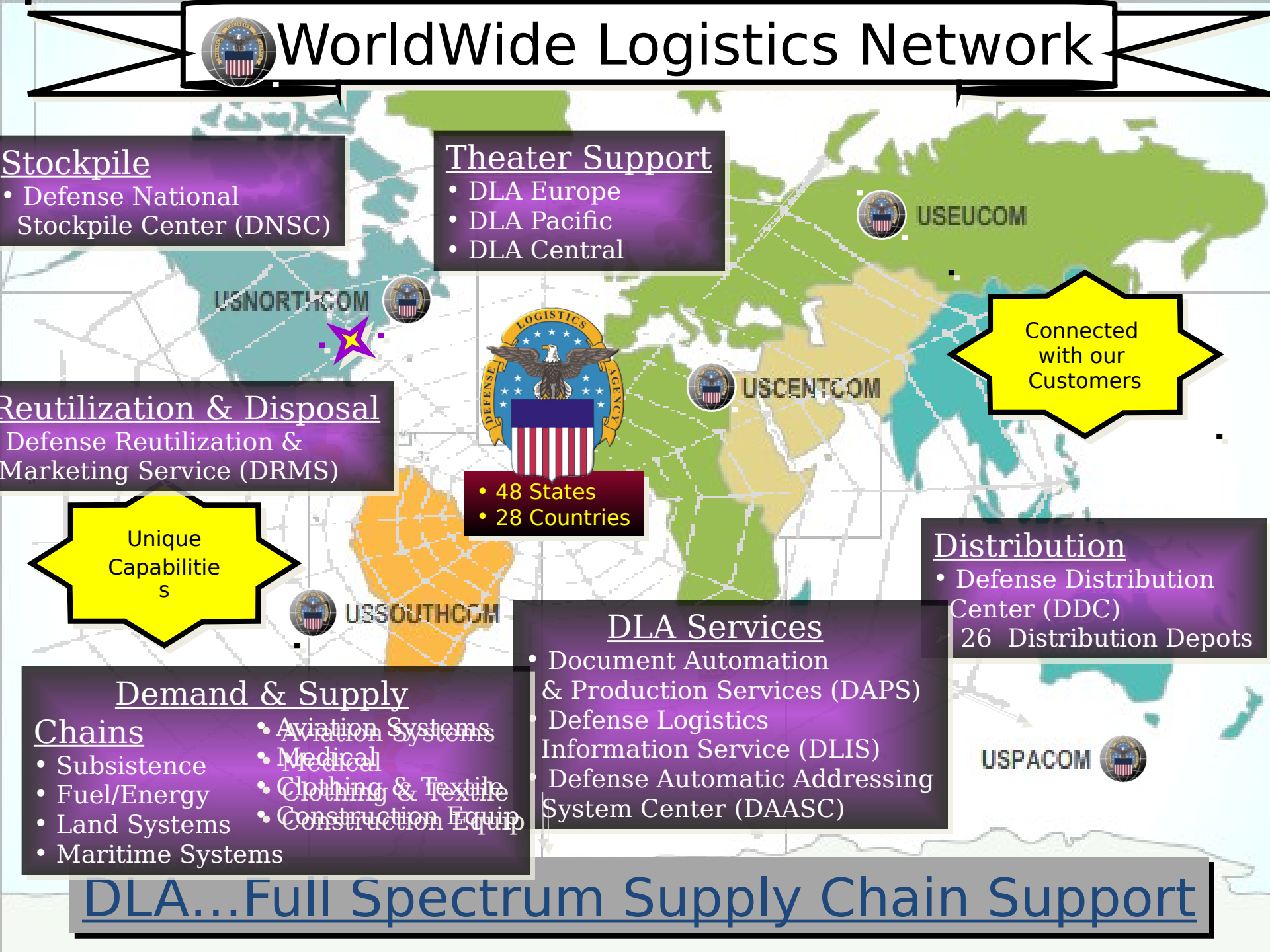
Commercial PBL Support

Support the Department of Defense's (DoD) direction for all Military Services to use PBL as the preferred product support strategy to improve weapon system readiness and reduce total ownership cost

Wide Range of Services A Single Supply Chain Enterprise

Worldwide Reuse, Recycle & Disposal Solutions
Land & Maritime Supply Chains
Defense Supply Center Columbus
Lead Center for Distribution
26 Distribution Depots Worldwide
Defense Distribution Center
DOD Manager for Printing & Duplicating, Automated Information Products & Service
DEFENSE LOGISTICS AGENCY
Document Automation & Production Service
Defense Reutilization & Marketing Service
Defense Logistics Information Service
Creation, Management & Dissemination of Logistics Information
Defense Supply Center Richmond
DEFENSE SUPPLY CENTER RICHMOND
Aviation Supply Chain
Headquarters
Defense Logistics Agency
Defense Energy Support Center
Fort Belvoir
Defense Supply Center Philadelphia
Troop Support Supply Chains
7 OCONUS Depots
DLA Europe & Africa
DLA Central
DLA Pacific
Headquarters J-Codes
Defense National Stockpile Center

WorldWide Logistics Network

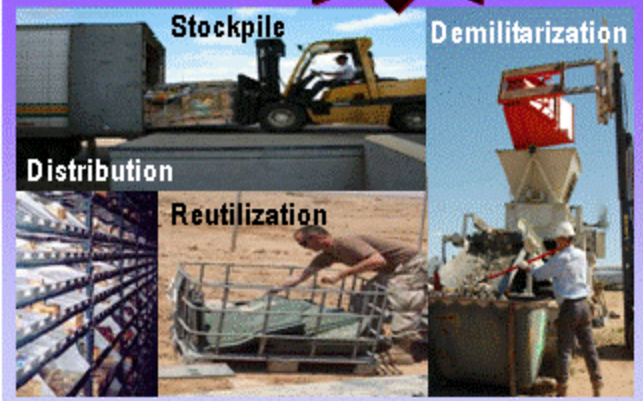


DLA…Full Spectrum Supply Chain Support

Strategic Supplier Network

Linking INDUSTRY Supply...

...with WARFIGHTER Demand



Extending Combat Enabling Capabilities to ...

SERVICES

COMBATANT COMMANDS

Defense Logistics Information Service (DLIS)

The premier provider of supply chain data and logistics technology solutions. DLIS creates, manages, and disseminates logistics data as standard and customized logistics information products and services through out the world.

- ✓ DoD Cataloging and Provisioning Support
- ✓ DoD EMALL
- ✓ Asset Visibility
- ✓ FEDLOG
- ✓ Unique Item Tracking
- ✓ Military Engineering Data Asset Locator System (MEDALS)
- ✓ DoD Hazardous Material Information Resource System (HMIRS)
- ✓ Environmental Reporting Logistics System (ERLS)

Defense Distribution Center (DDC)

DDC operates a global network of 25 distribution centers and nine map support offices.

A few of their major services and capabilities

- ✓ Receipt, Warehousing/Storage, and Issue
- ✓ Packaging
- ✓ Containerization Consolidation Point (CCP)
- ✓ Kit and Assembly
- ✓ World-Wide Express (WWX)
- ✓ Commercial Air Lines of Communication (COMALOC)
- ✓ Radio Frequency Identification Tagging (RFID)/ In-Transit Visibility
- ✓ Dedicated Truck Delivery
- ✓ Contingency Support Teams
- ✓ Strategic Distribution Platforms (SDP)
- ✓ Theater Distribution Platforms (TDP)

Defense Reutilization and Marketing Service (DRMS)

The official DoD agency of choice for worldwide reuse, recycling, and disposal solutions.

A few of DRMS services:

- ✓ Disposal
- ✓ Global Support
- ✓ Redistribution of Assets
- ✓ Demilitarization
- ✓ Hazardous Property Management
- ✓ Resource, Recovery, and Recycling Program (RRRP)
- ✓ Precious Metals Recovery
- ✓ Surplus Sales
- ✓ Exchange Sales
- ✓ Scrap sales

Defense National Stockpile Center (DNSC)

Responsible for providing safe, secure, and environmentally sound stewardship for strategic and critical materials in the United States National Defense Stockpile (NDS).

A few of DNSC services:

- ✓Stock piles strategic raw materials
- ✓International commodity broker of strategic and critical materials
- ✓Stores 42 commodities at 20 locations throughout the U.S.
- ✓Commodities range from base metals to precious metals

Document Automation and Production Service (DAPS)

The single manager for all DoD printing and duplicating, providing automated information products and services to DoD and designated federal activities

A few of DAPS services:

- ✓ Printing Services
- ✓ On Demand Output
- ✓ Online Access Solutions
- ✓ Electronic Data Management (EDM)
- ✓ Interactive Electronic Training Manual (IETM)
- ✓ Navy Forms On-line
- ✓ Technical Manual Publish On Demand System (TMPODS)
- ✓ Web Design and Web Hosting

DLA Theater Support

Maintains Regional Commands in Central Asia, Europe and the Pacific to provide customer assistance, liaison services, war planning interfaces and logistics support to the Combatant Commanders and their service component commands.

✓ DLA Central – MacDill AFB, FL. - Provides embedded support to coalition forces operating within the U.S. Central Command area of responsibility through forward deployed support teams in Afghanistan, Iraq, and Kuwait.

✓ DLA Europe/Africa – Kaiserslautern, Germany – The focal point for warfighter logistical issues and activities in Europe. Additionally, supports operations of U.S. Africa Command.

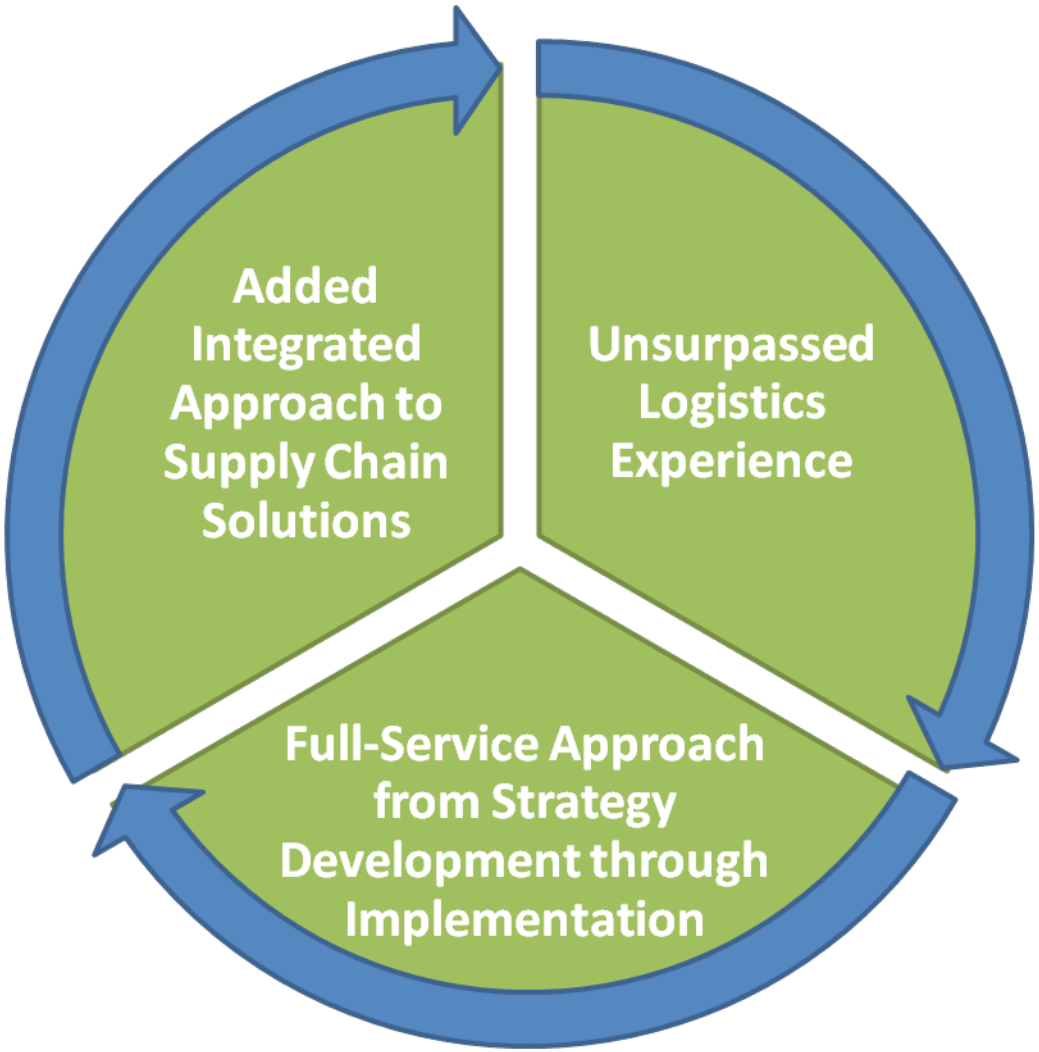
✓ DLA Pacific – Camp Smith, Hawaii; Taegu, Korea – Provides customer liaison services and logistics support to the forces within the PACOM area.

Why Program Managers and PBL Suppliers Should Use DLA

- We can develop a PBL initiative for the Program Manager
- DLA provides tailored weapon system support personnel (ex. Weapon System Support Managers, forward presence personnel, forward contingency personnel)
- Capitalize on DLA's long-established supply chains
- Make use of DLA's long-term contracts ~ 4,000 vendors
- Avoid splitting customer demands and fragmentation of the market by Services/DLA/PBL Vendors competing which drives up total ownership cost
- Proven successful track record supporting industry
- Self-motivated supplier: No need to incentivize

DLA…your low-cost provider,
delivering parts where and when needed

DLA Value Proposition


Added Integrated Approach to Supply Chain Solutions
Unsurpassed Logistics Experience
Full-Service Approach from Strategy Development through Implementation

- ✓ DLA contracting for consumables and reparables, and DLA management of retail level stock at Industrial sites
- ✓ Collaborative Forecasting with customers and suppliers
- ✓ Web-based ordering and parts visibility via EMALL / Parts and Requisition Visibility
- ✓ Defense Working Capital Fund
  - -Minimizes investment dollars & risk
  - - Provides flexibility to adapt to changing environment
- ✓ Leveraged Buying Power
  - - Ensures competitive pricing
  - - Simplifies supply chain requirements
- ✓ Readily Available ESA-compliant Consumable Parts
- ✓ Innovative Contracting for sustainment of life cycle process

Strategic Supplier Alliances (SSAs)

FY99	FY02	FY03	FY04	FY05	FY10
Honeywell*	Boeing	Avibank	Eaton	York	CFMI
	Pratt & Whitney	Canadian Commercial Corporation	BAE Systems (Land & Armaments)*	Alcoa Fastening System	Woodward Governor
	General Electric*	Hamilton Sundstrand*	AM General*	General Dynamic Land Systems*	
	Parker Hannifin	Bell Helicopter Textron	Goodrich		
	Northrop Grumman	Sikorsky	Rolls Royce		
	Dresser Rand*		Meggitt Aircraft Braking Systems		
	BAE Systems		Moog Inc		
			Oshkosh*		
			Raytheon		
			Colfax		

Aviation Alliance
Land Alliance
Maritime Alliance

*Military Partnership with 9 SSAs

Supply Chain Alliances (SCAs)

FY 05	FY 06	FY 07	FY 08	FY 09	FY 10
CLARCOR	Crane	JGB Enterprises	Meridian	Rockwell Collins	# Navistar Defense
BTMC	Kampi	Penn Detroit Diesel	Owens & Minor	BP	# Force Protection Industries
	SAIC	Wheeler Brothers		NIB	# 3M
	Cummins	Badger Truck		DuPont	Burlington Industries
	BAE, Sealy	Caterpillar			
	BAE, Fairfield				
	FN Manufacturing				
	NISH				

Medical Alliance
Land Alliance
C&T Alliance
Maritime Alliance
Energy Alliance
Planned C&E Alliance
Planned Land Alliance

What We Can Do: Material Management and Parts Support

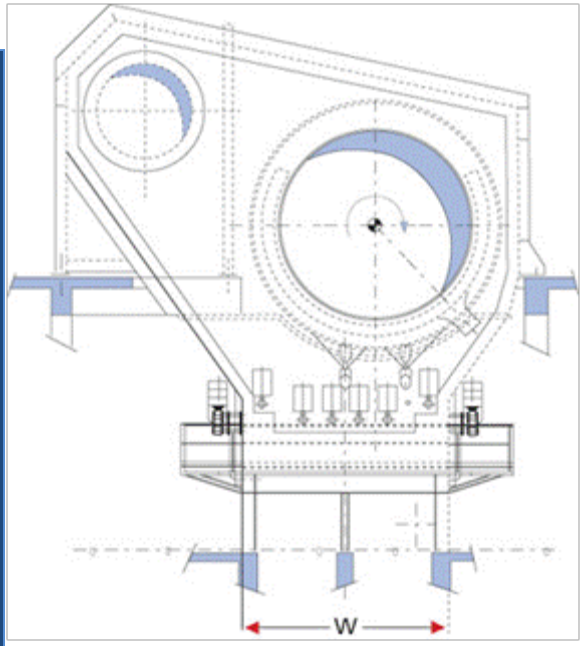
- ✓ Readily available consumable parts
- ✓ Long-term contracts in place over life of PBL initiative
- ✓ Collaborative forecasting
- ✓ Leveraged Buying Power
- ✓ Strategic Supplier Alliances

What We Can Do: Storage and Distribution

- ✓ Worldwide depot storage and distribution network
- ✓ 100% parts and requisition visibility
- ✓ Delivery of individual parts and/or kitting
- ✓ Delivery at point of use when requisitioned
- ✓ Pre-positioning and segregation of stock

What We Can Do: Quality

- ✓ Coordination on approved sources of supply
- ✓ Repository of technical/engineering data
- ✓ Dedicated technical professionals
- ✓ Engineering Support Activity coordination
- ✓ Extensive vendor/component quality data
- ✓ Partnering on reliability improvements
- ✓ Value Engineering Program
  - Research & Development
  - Aging Aircraft Program
  - Reverse Engineering

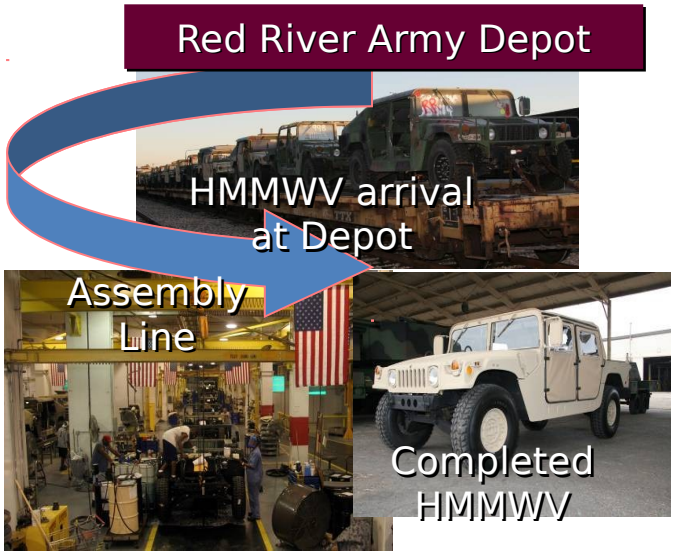


Examples of DLA Support of PBLs

DLA Awarded PBLs

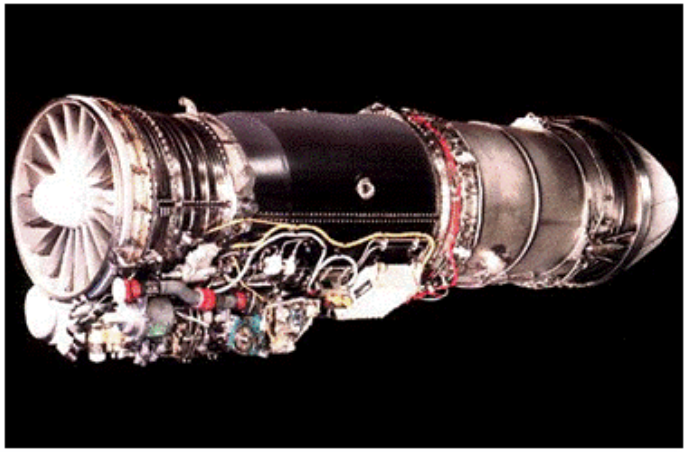
Integrated Logistics Partnership / HMMWV RECAP

- Awarded 1 November 2005, follow-on contract 6 November 08
- Supplier: AM General LLC
- Support of production lines at Letterkenney Army Depot (LEAD), Red River Army Depot (RRAD), and Maine Military Authority (MMA)
- Expansion to Barstow Marine Corps Logistics Base
- 1,321 National Stock Numbers (NSNs)
- Material Availability (MA) as of June 09 is 99.99%,
- Customer reduction in inventory investment by 95%
- Cost savings per vehicle of $4,250 for RRAD and $3,414 for LEAD



F404 Engine PBL

- 16 September 2005
- Supplier: General Electric Aircraft Engines
- Support of Navy's F/A-18 Hornet
- 2,464 NSNs
- MA as of January 2010 is 93.1%
- Cost savings of $53.4M for DLA and customers



DLA as Product Support Provider

TF39/T56 Engine Overhaul

- DLA is Product Support Provider to Kelly Aviation Center
- TF39: 5,500 DLA NSNs
  - MA as of Dec 09 is 96.7%
- T56: 2,500 DLA NSNs
  - MA as of Dec 09 is 96%
- FY09 Sales $50.5M (3,927 individual NSNs)

Fire Finder Radar System (Reset/Rebuild)

- DLA is Product Support Provider to Raytheon
- 5,859 DLA NSNs - Contractor procures parts direct from DLA
- Use of Govt Sources prevent work stoppage
- MA as of June 09 is 95%
- $196,588.60 in parts supplied to Raytheon in support of Army PBL Contract

Common Ground Station

- PBA Signed 13 September 2005 between DLA and Tobyhanna Army Depot (Organic Product Support Integrator)
- DLA Conduct inventory and procurement management for consumable items
- DLA Provide Supply Chain support and tailored distribution services
- 446 DLA NSNs – Depot procures parts direct from DLA
- MA as of June 09 is 99.11%

Strategic Direction for DLA in Supporting PBLs

everage Expanded Strategic Partnership

DLA Focus on most important items:

Strategic Material Sourcing

DLA Partnerships with major suppliers:

Supplier Alliances

SMS Statistics		
Metric	**SMS on LTC**	**Other Hardware**
ALT	**1.6**	**48.38**
PLT	**30.5**	**68.25**
MA	**91.37%**	**85.02%**

- 1st Strategic Supplier Alliance Signed with Honeywell
- 22.9% of Obligations on Long Term Contract

- 53 Strategic Alliances
- 76.1% of Obligations on Long Term Contract
- 202,781 items on Long Term Contract

Growth in SMS

Growth in Strategic Alliances

Growth in Joint Strategic Opportunities

1999

2009

Depot Level Reparable Support – The Way Ahead

Yesterday

BRAC 2005 2006 2007 2008

Today 2009 2010

Tomorrow

Reconfigure DoD logistics to achieve economies, efficiencies and improve support to the future force 2011

#175 Privatization
#176 Consumable Item Transfer
#176 Depot Level Reparables
#177 Supply, Storage & Distribution

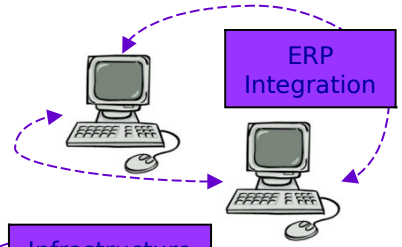
USMC DLA Air Force

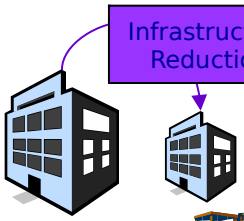
Traditional military logistics linear processes

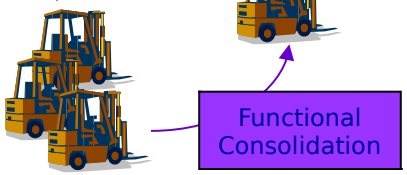
Army

Navy

Focused on business-related logistics economies

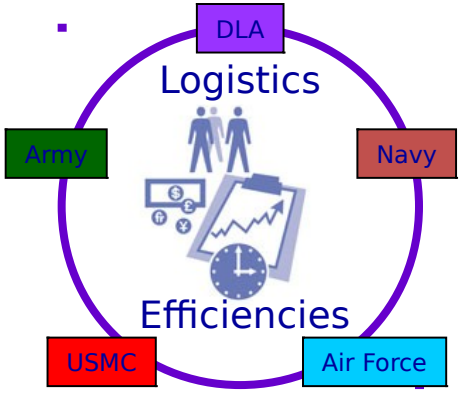






Standardized force-focused logistics network

- Jointness
- Synergy
- Redundancy



DLA Operational Execution of Logistics Life

Entire LLC Process – Lead by Service PM

- Material Solution Analysis Phase
- Technology Development Phase
- Engineering and Manufacturing Development Phase
- Production and Development Phase
- Operations and Support Phase

NEW DLA Engagement – Led by DLA Weapon System Program Manager or Weapon System Support Manager

Supply Chains

Logistics Acquisition Specialists

Forward Presence Buyers

Tech/Quality	Tech/Quality	Tech/Quality	Tech/Quality
Requirements		Requirements	
Contracting		Contracting	Contracting

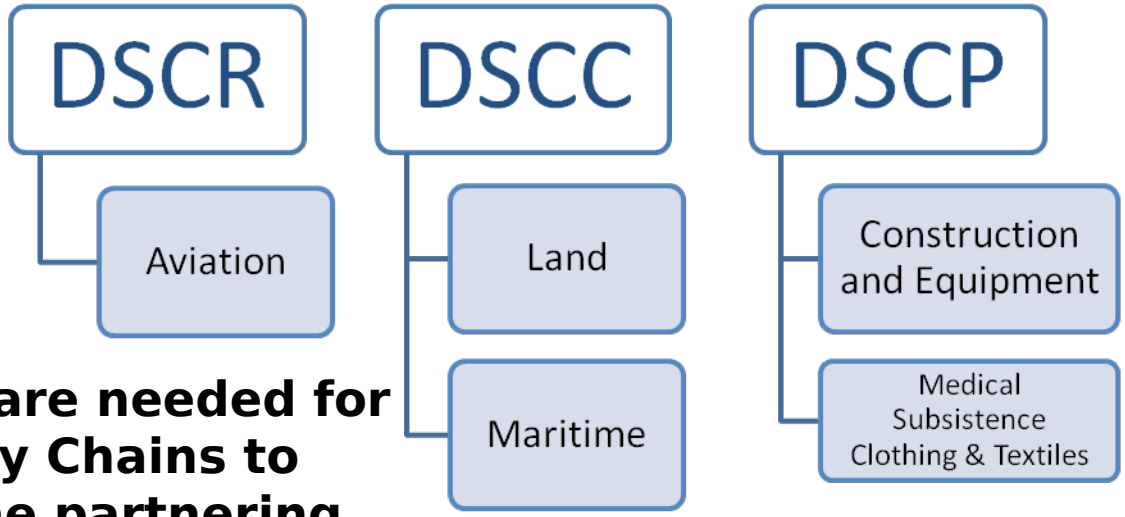
Finance

Legal

DLIS

DDC **DDC** **DRMS**

How to Partner with DLA



These items are needed for the Supply Chains to continue the partnering process:

- PM/PEO Agreement on PBL
- General Scope of Initiative (WSDC), DODAAC, Time, etc.
- Copy of PBL contract Docs
- Bill of Materials (BOM)
- Performance Based Agreement citing forecasting, ordering methods, space requirements, and metrics

Service

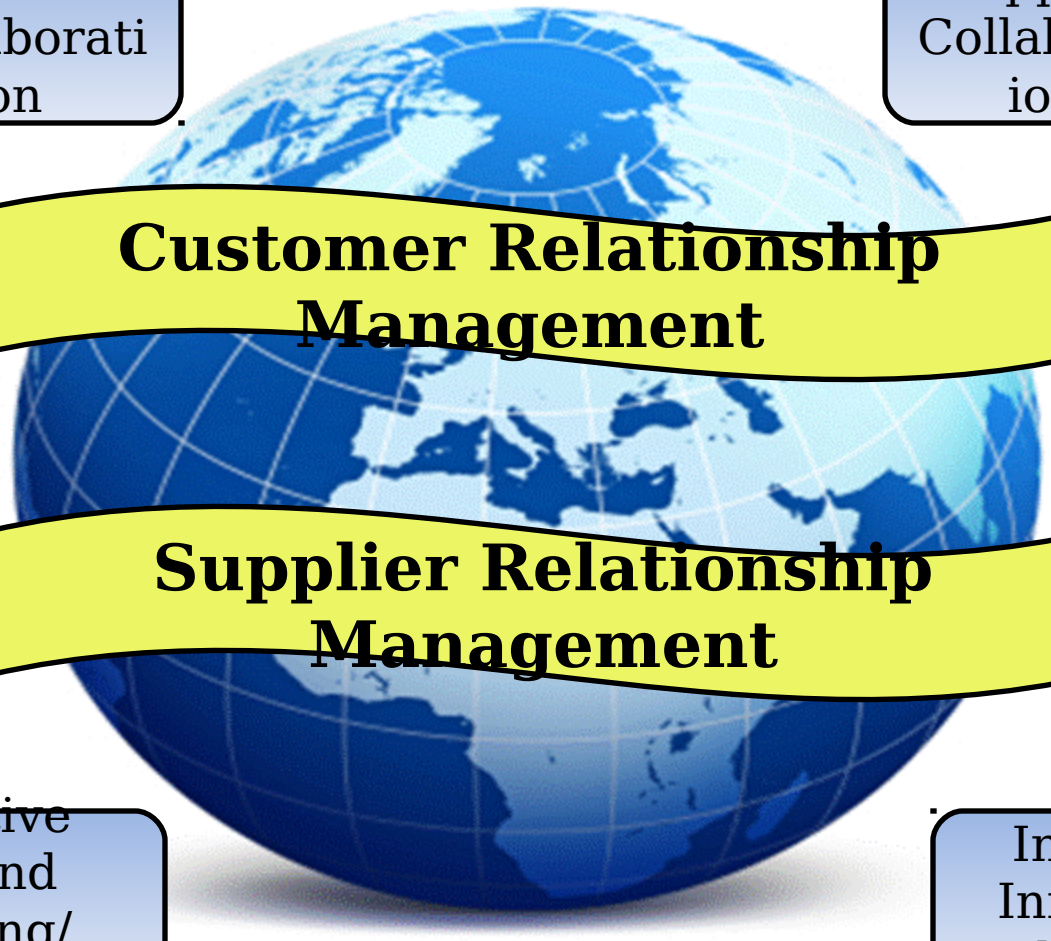
Relationship Management Around the World

Customer Collaboration

Supplier Collaboration

Customer Relationship Management

Flexible Organizational Structure



Real-Time Information

Supplier Relationship Management

Proactive Demand Planning/ Forecasting

Integrated Information Network

Summary

- Solid DLA Value Proposal
- Transforming to Improve Support
- Proven Successful Track Record
- DLA is a Long-Term Business Partner

DLA… DoD's Best Value Logistics Provider!

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